

**Tasking Memorandum No. 00-251**

**Memorandum For Cdrs DCMDs, and CAOs**

**Subject:** Modifications to Eliminate the Paid Cost Rule from Existing DCMA Administered Contracts.

**Date:** June 23, 2000

**Target Audience:** DCMA DACOs and ACOs.

**New Information/Guidance/Tools:**

- Policy Change Notice No. 00-180, March 29, 2000, discussed changes to certain financing policies contained in FAC 97-16. In part, the FAC removed the requirement for large businesses to pay their subcontractors before including the payment in their billings to the Government. This requirement is commonly referred to as the "paid cost rule." The Policy Change Notice stated that DCMA Headquarters was exploring ways to streamline the modification of existing contracts to remove the paid cost rule and directed that local actions aimed at that objective be held in abeyance. This modification is being issued to remove the paid cost restrictions for all existing contracts issued prior to May 26, 2000 awarded by DoD contracting activities that are being administered by the Defense Contract Management Agency.
- Based on a Cost-Benefit Analysis, the decision was made to negotiate terms for removal of the paid cost rule from existing contracts with the five largest defense firms. Those negotiations were performed by the cognizant Corporate Administrative Contracting Officers (CACOs). All other contracts, with remaining large business suppliers awarded by DoD contracting offices administered by DCMA would be revised by a single unilateral modification as an administrative change.
  - Negotiations have been completed with each of the five firms (except General Dynamics) and modifications executed. The modifications are posted below with a list of applicable Commercial and Government Entity (CAGE) codes.
  - The blanket administrative modification for all other existing DoD contracts with large businesses administered by DCMA is also posted below with a list of applicable CAGE codes.
  - For all modifications, MOCAS processing for ARZ number assignment will be completed by July 31, 2000. Modifications are effective immediately and the list of affected contracts will be posted when processed.

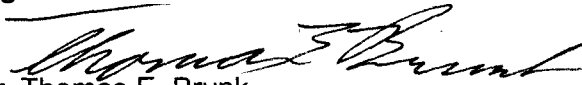
**Requirements:**

- ACOs must provide a copy of the administrative modification to their affected contractors and Procuring Contracting Officers (PCOs) within 15 days from the modification effective date.

**Point of Contact for Further Information:**

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**Signature:**

  
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